

2008-2009 PERFORMANCE PLAN – Interim Chief Investment Officer (A. Stausboll)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	1 st & 2 nd Quarter Status Update
35%	Total Fund	Excess return in basis points relative to: Total Fund Performance Benchmark. (SJ1CA1 - CPERSTO2)	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	-355 bps {(23.06) – (19.51)}
35%	Subtotal	Quantitative Measures		

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	1 st & 2 nd Quarter Status Update
25%	Investment Office Cultural Alignment and Strategic Initiatives	<p>To achieve a more integrated investment approach across the existing asset classes, provide oversight and direction to accomplish the following:</p> <ul style="list-style-type: none"> By 3/31/09, complete team building and leadership development program for all INVO employees, including follow-up survey to measure success of outcomes By 12/31/08, establish the structure for and implement a cross-asset class team within the Investment Office to evaluate investment strategies and opportunities that fall outside the traditional asset classes. By 6/30/09, develop a unified approach to be used across asset classes for communicating with stakeholders. By 06/30/09, report to Investment Committee on implementation of the above. 	From Schedule	<p>Teambuilding and Leadership Development:</p> <ul style="list-style-type: none"> Completed a follow-up survey to determine success of outcomes for the teambuilding and leadership program that began in the previous year for all INVO employees. Held four one-day sessions to reinforce desired outcomes; two remaining reinforcement sessions are scheduled for 2/09. Continued coaching by Senn Delaney for Senior Leadership team, and improved effectiveness of CIO/COIO/SIO meetings. <p>Cross Asset Class team:</p> <ul style="list-style-type: none"> Established structure and objectives of ad hoc cross asset class team to evaluate opportunities that cross asset classes. Completed two pilot cases.

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	1 st & 2 nd Quarter Status Update
	Investment Office Cultural Alignment and Strategic Initiatives (Continued)			<p>Unified Communication Approach:</p> <ul style="list-style-type: none"> Developed consistent approach across asset class for presenting manager updates to IC. Other consistent communication tools are pending. <p>Other:</p> <ul style="list-style-type: none"> Revamped INVO Senior Staff meeting to conduct monthly asset class/program presentations to communicate with and educate Senior Management, with objective of providing foundation for more integrated and cross asset class thinking. These educational sessions will also be made available to all INVO staff. Developed INVO-specific New Employee Orientation Program to provide new staff with overview of INVO. Developed and planned Senior Management strategic forum for 1/09.
25%	Leadership	<p>Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows:</p> <ul style="list-style-type: none"> Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans. Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) 	From Schedule	<p>Employee Performance and Development:</p> <ul style="list-style-type: none"> Appraisals for all direct reports (SIOs, Division Chiefs, and other) to COIO/Interim CIO completed as of 12/31/08. INVO-wide 46% completion rate as of 12/31/08. <p>Employee Mentoring and Recognition:</p> <ul style="list-style-type: none"> Held quarterly INVO-wide forums to facilitate communication and recognition (ACE awards and other) across asset classes and throughout INVO. Held recognition event 12/08 to recognize work in launching enhanced SIP line-up. Held regular brownbag luncheons for INVO staff

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Qualitative Performance Measures (cont.)

	Leadership (cont.)	<ul style="list-style-type: none"> • 360 Feedback Process – <ul style="list-style-type: none"> • By 12/1/08 begin the individual 360 feedback survey assessment process. • By 2/1/09 identify one to two areas of personal development. • By 6/30/09, participate in all personal coaching sessions provided and complete the development opportunity identified. • Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> • By 9/30/08, identify from our cultural profile an area in which we need to improve our culture and implement an improvement in my area by 3/30/09. • By 12/31/08, participate in a cultural reinforcement session with the Investment Office. • By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. • By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities • External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> • Serve on at least one external board or committee; or • Conduct at least one presentation at conference or similar event; or Write an article. 		<ul style="list-style-type: none"> • Held monthly INVO Senior Management luncheons. <p>360 Feedback Process:</p> <ul style="list-style-type: none"> • Enrolled in and began personal 360 feedback process, identified areas for personal improvement, participated in all coaching sessions plus supplemental sessions. • Participated as coach and manager for other employees. • Established process within INVO to monitor and encourage participation throughout INVO. As of 12/31/08, 98 percent of eligible managers in INVO had enrolled in process. <p>Strategic Initiatives/Cultural Alignment:</p> <ul style="list-style-type: none"> • Led INVO efforts as described in previous measure. • Participated in numerous coaching and teambuilding sessions throughout INVO. <p>External Investment Community:</p> <ul style="list-style-type: none"> • Served as Ceres Board Member. • Served as UN PRI Board Member. • Served as Toigo Advisory Board Member. • Delivered presentations at Financial Women's Association luncheon on 9/9/08. • Delivered presentation at CalPERS Employer Conference in 10/08. • Coordinated briefings on investment issues for President-Elect Transition Team.
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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	1 st & 2 nd Quarter Status Update
	Leadership (cont.)	<ul style="list-style-type: none"> <u>Diversity - By June 30, 2009, actively promote and achieve diversity among our investment partners and staff by doing at least two of the following:</u> <ul style="list-style-type: none"> Participate in at least one event designed to recruit staff to CalPERS Participate in at least one outreach, education, or networking event that supports diversity in the public pension fund partner/manager community Identify and gain approval for a diversity related initiative or project in the Investment Office or in the CalPERS enterprise(e.g., identify and implement a new emerging manager program, suggest and obtain approval for an outreach or educational event, identify and eliminate a requirement in an existing program that may serve as an artificial hurdle for new and emerging firms, or identify and implement an expansion or enhancement to an existing diversity program or effort) 		Diversity: <ul style="list-style-type: none"> Served on Toigo Advisory Board. Launched and oversaw development of Women's Investment Conference, scheduled for 2/10/09. Coordinated with Public Affairs, Governmental Affairs, and Diversity Office to develop improved annual CalPERS diversity report to legislature. Oversaw development of and hosted annual Toigo recruitment event in 11/08. Oversaw revamping of Global equity brokerage program, with objective to provide broader access, with launch in late 2008.
15%	Pension System Resumption and Enterprise Transition Management	<p>Participate on PSR/ETM Steering Committee. Support project as it relates to Supplemental Income Plans.</p> <p>The Pension System Resumption (PSR)/ Enterprise Transition Management (ETM) and Public Employer Readiness Team (PERT) Projects will be on track for operational implementation by Spring 2010 as measured by the following key milestones:</p> <p>By September 30, 2008:</p> <ul style="list-style-type: none"> Approve the revised ETM Project scope, budget and staffing plan and complete initial organizational readiness assessment. <p>By December 30, 2008 By March 31, 2009:</p> <ul style="list-style-type: none"> Ensure PSR design activities are on schedule and the second ETM Change Readiness Assessment is complete. <p>By March 31, 2009:</p> <ul style="list-style-type: none"> Ensure implementation of new IT operational processes critical to PSR at "go live" is on schedule and the third Change Readiness Assessment is complete. — 	From Schedule	<ul style="list-style-type: none"> ETM Project leaders worked closely with Business Owners Committee (BOC), Steering Committee, and Project Executives to redefine the scope of the project. The revised scope and budget was presented to the Board of Administration on September 17; the Team received formal approval to proceed under the new plan.

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	1 st & 2 nd Quarter Status Update
	Pension System Resumption and Enterprise Transition Management (cont.)	<p>By June 30, 2009:</p> <ul style="list-style-type: none"> • Ensure scheduled PSR development activities, the Employer Education Web Conference Series and regulatory changes required to support PSR are complete. • Ensure final completion of ETM Change Readiness Assessment and the Organization Readiness Plans <p>To be completed in 2009/2010:</p> <ul style="list-style-type: none"> • Ensure completion of third Change Readiness Assessment • <u>Ensure final completion of ETM Change Readiness Assessment and the Organization Readiness Plans</u> 		
65%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		